

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-11 EUR-25 ADP-00 COME-00 EB-11 FRB-02

USIE-00 INRE-00 SSO-00 L-03 AGR-20 AID-20 OMB-01

IGA-02 SIL-01 LAB-06 SS-15 NSC-10 NSCE-00 CIAE-00

DODE-00 INR-10 NSAE-00 PA-03 RSC-01 PRS-01 RSR-01

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FM AMCONSUL PARAMARIBO

TO SECSTATE WASHDC IMMEDIATE 1317

INFO AMEMBASSY THE HAGUE

UNCLAS PARAMARIBO 190

FOR TREASURY, COMMERCE

E. O. 11652: N/ A

TAGS: EFIN, NS

SUBJECT: VERVUURTS BANK CLOSES TEMPORARILY - OVEREXTENDED
ON LOANS

1. SUMMARY. VERVUURTS BANK NV, ONLY SURINAMESE MAJORITY OWNED COMMERCIAL BANK IN SURINAM, HAS BEEN TEMPORARILY CLOSED, EFFECTIVE MAY 2, DUE TO 2 MILLION GUILDER SHORTAGE IN FUNDS APPARENTLY AS RESULT OVEREXTENSION OF CREDIT/ LOANS. GOS ACTIVELY INVOLVED IN ATTEMPT SAVE BANK.

2. DETAILS. PRESS REPORTS TODAY INDICATE VERVUURTS BANK DIRECTORS H. DRIELSMA AND S. EGGERS SUSPENDED LAST WEEK AS RESULT GROWING ILLIQUIDITY POSITION CREATED BY BANK PRACTICE OF GRANTING TOO MANY LOANS WITHOUT SUFFICIENT COLLATERAL. BANK 2 MILLION SURINAM GUILDERS (DOLS 1,130,000) SHORT AS OF COB FRIDAY APRIL 27. GOS REPORTED READY TO LOAN 3 MILLION GUILDERS TO BANK TO, AMONG OTHER THINGS, SAVE CHECKING AND SAVINGS ACCOUNTS (NO VALUE FIGURE THESE ACCOUNTS AVAILABLE
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YET). ACCORDING PRESS GOS OPTIMISTIC THIS ACTION WILL OBVIATE NECESSITY CLOSE OR LIQUIDATE BANK. IN RETURN GOS WILL TAKE UNSPECIFIED NUMBER VERVUURTS SHARES AS COLLATERAL, IN EFFECT CREATING JOINT VENTURE. SHAREHOLDERS WILL BE REQUIRED FOREGO FAT DIVIDEND PAYMENTS FOR PERIOD OF FROM ONE TO FIVE YEARS. SURINAM CENTRAL BANK PRESIDENT V. M. DE MIRANDA RECALLED FROM CENTRAL BANKERS CONFERENCE IN CURACAO TO ASSIST IN DISCUSSIONS.

3. BANK PRESS RELEASE ISSUED TODAY NON- COMMITTAL, STATING ONLY THAT BANK WOULD BE CLOSED FOR SEVERAL DAYS STARTING TODAY.

4. FINANCE MINISTER RADHIKASHUN PRESS RELEASE STATED GOS HOLDING DISCUSSIONS WITH BANK AND CENTRAL BANK TO DECIDE NECESSARY MEASURES TO SAVE BANK AND PROTECT DEPOSITORS. CONCRETE PLANS WILL BE SET FORTH IN FEW DAYS, ACCORDING PRESS RELEASE.

5. VERVUURTS BANK IS USG DEPOSITORY FOR CONSULATE GENERAL FUNDS. RECOMMENDATIONS FOR FUTURE HANDLING U. S. ACCOUNT WILL FOLLOW SHORTLY.

6.; COMMENT: IT IS OBVIOUS GOS MUST TAKE STRONG MEASURES BAIL OUT VERVUURTS BANK, WHICH EVIDENTLY HAS NOT RPT NOT FOLLOWED CONSERVATIVE LOCAL BANKING POLICIES. DAMAGE TO SURINAM ECONOMY IF BANK FOLDS WOULD BE SERIOUS, PARTICULARLY IN VIEW DEPRESSED ECONOMIC CONDITIONS NOW EXISTING AS RESULT RECENT PROLONGED STRIKE. LOSS TO CHECKING AND SAVING ACCOUNT HOLDERS WOULD BE DOUBLY TRAGIC IN PRESENT CIRCUMSTANCES.
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